



Trade Facts

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Free Trade with Panama Brief Summary of the Agreement

- **New Opportunities for U.S. Workers and Manufacturers:** Over 88 percent of U.S. exports of consumer and industrial goods to Panama will become duty-free immediately, with remaining tariffs phased out over 10 years. The agreement includes “zero-for-zero” immediate duty-free access for key U.S. sectors including agricultural and construction equipment, information technology products, and medical and scientific equipment. Other key export sectors such as motor vehicles and parts, paper and wood products, and chemicals will also obtain significant access to Panama’s market.
- **Expanded Markets for U.S. Farmers and Ranchers:** More than half of current U.S. farm exports to Panama will become duty-free immediately, including high quality beef, other meat and poultry products, soybeans and products, most fresh fruits and tree nuts, distilled spirits and wine, and a wide assortment of processed products. U.S. farm products benefiting from expanded market access opportunities through tariff-rate quotas include pork, chicken leg quarters, dairy products, corn, rice, refined corn oil, dried beans, frozen french fries, and tomato products. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

Panama and the United States signed a far reaching bilateral agreement on sanitary and phytosanitary measures and technical standards whereby Panama will recognize the equivalence of the U.S. food safety inspection system for meat and poultry and the U.S. regulatory system for processed food products. Panama will provide access for all U.S. beef, poultry and related products consistent with international standards. The agreement also streamlines import documentation requirements for U.S. processed foods.

- **Textiles and Apparel:** Apparel products made in Panama will be duty-free under the agreement if they use U.S. or Panamanian fabric and yarn, thereby supporting U.S. fabric and yarn exports and jobs. Special state-of-the-art customs cooperation commitments between the U.S. and Panama will allow for verification of claims of origin or preferential treatment, and denial of preferential treatment or entry if claims cannot be verified. A special textile safeguard will provide for temporary tariff relief, if imports under the agreement prove to be damaging to domestic producers.
- **Expanded Access to Services Markets:** Panama will accord substantial market access across their entire services regime, including financial services. Panama agreed to eliminate measures that restrict investment in retail trade to Panamanian nationals, to provide improved access in sectors like express delivery, and to grant new access in professional services that previously had been reserved exclusively to Panamanian nationals. Panama also agreed that both mutual funds and pension funds in its territory will be allowed to use portfolio managers in the United States.

- **Telecommunications:** Users of Panamanian telecom networks are guaranteed reasonable and non-discriminatory access to the network. In addition, U.S. telecommunications companies are ensured the right to interconnect with Panamanian dominant suppliers' fixed networks at non-discriminatory and cost-based rates.
- **Greater Protection for Intellectual Property Rights:** The agreement provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both U.S. standards of protection and enforcement, and with emerging international standards. Such improvements include state-of the-art protections for digital products such as U.S. software, music, text, and videos; stronger protection for U.S. patents, trademarks and test data, including an electronic system for the registration and maintenance of trademarks; and further deterrence of piracy and counterfeiting by criminalizing end-use piracy.
- **Strong Protection for Worker Rights:** Labor obligations are part of the core text of the agreement. The agreement requires that the parties effectively enforce their own domestic labor laws, which extends to all workers in Panama, including employees of the Panama Canal Authority and specialized export processing zones. Procedural guarantees in the agreement will ensure that workers and employers will have access to fair, equitable, and transparent labor tribunals/courts. The labor chapter in the agreement also calls for technical cooperation and capacity building.
- **Trade Capacity Building – Development and Trade Working Together:** The agreement creates a Trade Capacity Building Committee, which will help Panama strengthen its capacity to implement the obligations of the agreement and to benefit more broadly from the opportunities it creates. The U.S. Government provided a total of approximately \$5 million in trade capacity building assistance to Panama over the past three fiscal years. This assistance has helped Panamanians in the public and private sectors to promote exports, extend trade-related business services and training, improve border security and strengthen labor standards. Multilateral lenders such as the Inter-American Development Bank and the World Bank provide additional trade-related assistance.
- **An Innovative Environment Chapter:** The agreement uses the same innovative provisions developed in the CAFTA-DR, Peru and Colombia agreements, specifically the public participation mechanisms for submissions on enforcement matters and the development of factual records in certain circumstances. The agreement establishes an Environmental Affairs Council, comprising cabinet-level or equivalent representatives to address implementation matters. The Parties committed to effectively enforce their own domestic environmental laws. The agreement also addresses the importance of environmental cooperation in achieving shared objectives, including the development and improvement of environmental protections.
- **Strong Protections for U.S. Investors:** The agreement establishes a stable legal framework for U.S. investors operating in Panama. All forms of investment are protected under the agreement. U.S. investors will enjoy in almost all circumstances the right to establish, acquire, and operate investments in Panama on an equal footing with local investors. Investor protections will be backed by a transparent, binding international arbitration mechanism.
- **Open and Fair Government Procurement:** U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Panamanian government entities, including the Panama Canal.

- **Increased Transparency:** The agreement's dispute settlement mechanism calls for open public hearings, public access to documents, and the opportunity for third parties to submit views. The agreement also contains strong anti-corruption commitments, including criminalization of bribery.
- **Strengthened Protection against Technical Barriers to Trade:** The agreement builds on each government's obligations under the WTO Agreement on Technical Barriers to Trade to enhance transparency in the development and application of technical regulations and conformity assessment procedures (e.g. product testing and certification). The agreement obliges the Parties to provide national treatment when recognizing conformity assessment bodies.
- **Customs Administration:** Panama is an important gateway to global trade routes, and the agreement will help facilitate the movement of trade through far-reaching obligations on customs administration. The agreement addresses transshipment concerns by requiring Panama to maintain a monitoring program in its free trade zones and to provide U.S. Customs and Border Protection with access to information collected in connection with the program. The agreement also requires Internet publication of customs procedures, speedy release of goods, the use of advance binding rulings, and specific commitments related to express delivery shipment, as well as provisions on the use of information technology and risk assessment techniques.
- **New Opportunities with the Panama Canal Authority:** The expansion of the Panama Canal will cost an estimated \$5.25 billion over the next few years. The agreement will ensure that U.S. firms will have an opportunity to participate, on a competitive basis, to provide goods and services, including construction for the Panama Canal, during this major modernization project.
- **A Gateway to Significant Markets:** In 2005, bilateral trade between the United States and Panama totaled \$2.5 billion, with U.S. exports accounting for \$2.2 billion of that amount. U.S. goods exports to Panama increased 18 percent from 2004 to 2005. Nearly half of Panama's total imports come from the United States. U.S. foreign direct investment in Panama totals roughly \$5.2 billion. Panama currently enjoys broad access to the U.S. market through preference programs like the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP). In 2005, more than 95 percent of Panama's goods exports to the United States entered duty-free.